
RISK FACTORS

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Placing. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and prospects of our Group.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Placing Shares could decline due to any of these risks, and you may lose all or part of your investment.

We believe that there are certain risks involved in an investment in the Shares. These risks can be broadly categorised into (i) risks relating to our Group, (ii) risks relating to our industry, and (iii) risks relating to the Placing and the performance of the Shares.

RISKS RELATING TO OUR GROUP

We derived substantially all of our revenue from software licence sales and leasing and software upgrades and maintenance services during the Track Record Period from our Ahsay™ Backup Software. Any failure to continuously maintain or enhance the performance of this software and end-user experience and launch high-quality new software could materially and adversely affect our business and results of operations

For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our revenue from software licence sales and leasing accounted for approximately 62.0%, 56.7% and 57.5%, respectively, of our total revenue for the corresponding periods. For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, revenue from our software upgrades and maintenance services accounted for approximately 34.4%, 40.7% and 40.1%, respectively, of our total revenue for the corresponding periods. During the Track Record Period, we derived substantially all of our revenue from software licence sales and leasing and software upgrades and maintenance services from our Ahsay™ Backup Software. We expect that Ahsay™ Backup Software will continue to generate the majority of our revenue in the near future.

Our growth depends on our ability to attract new customers and retain existing customers. In order to maintain and expand our customer base, we must continue to invest significant resources in software development to enhance our existing software, end-user experience and launch new and high-quality software. Our ability to successfully launch, operate and expand our backup software to attract and retain customers largely depends on many factors, including our ability to anticipate and effectively respond to rapid advancement in technologies, changing needs and preferences of our customers and end-users, anticipate and respond to changes in the competitive landscape, and develop and offer suitable and user-friendly and performing software. If we are unable to anticipate and respond to the needs and preferences of our customers and the end-users, or industry changes to enhance our products and services, or if we are unable to launch new products and services, our customer base may not increase at the rate we anticipate, or at all, and it may even decrease.

Should there be (i) any decline in the number of our customers of our Ahsay™ Backup Software, (ii) any failure by us to continuously improve, update or enhance such software products and end-user experience in a timely manner or at all, or (iii) any other matters out of our control and anticipation, our business, financial condition and results of operations could be materially and adversely affected.

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The upcoming version 7 of our Ahsay™ Backup Software may not achieve the same level of market acceptance in the past; and the selling and leasing of AhsayCBS may not necessarily increase our overall revenue or net profit

During the Track Record Period, we offered two of our core software components, namely AhsayOBS and AhsayRPS complimentary to our customers. For the upcoming version 7 of our Ahsay™ Backup Software, we intend to introduce AhsayCBS, a server-side component, which will integrate, among other things, upgrades of existing versions of AhsayOBS and AhsayRPS, into one single component for purchase and lease at a fee by end of 2015. We have been offering AhsayOBS and AhsayRPS complimentary by bundling them with previous and current versions of AhsayOBM and AhsayACB or separately with previous and current versions of AhsayOBM or AhsayACB. The upcoming version 7 of our Ahsay™ Backup Software may not achieve the same level of their respective market acceptance in the past. Further, such selling and leasing of AhsayCBS may not necessarily increase our overall revenue or net profit.

The upcoming version 7 of our Ahsay™ Backup Software and our CloudBacko Backup Software enable our customers to backup data on public cloud storage which is more prone to being hacked and damaged by unauthorised parties. Should there be any leakage or damage of data stored in public cloud storage destinations due to any action or inaction of any public cloud service provider which is out of our control or as a result of our insufficient security measures, a loss of confidence in our backup software products will likely occur and we may be subject to complaints or claims from our customers, which will likely have an adverse impact on our business and results of operations

We generated substantially all of our revenue from the sale and lease of our backup software products during the Track Record Period. The upcoming version 7 of our Ahsay™ Backup Software and our CloudBacko Backup Software enable users to backup data on public cloud storage destinations. We employ strong encryption algorithm in our backup software products to protect the confidentiality of data stored in public cloud storage. However, improvement in technologies, such as, hacking techniques, may weaken such protective measure over time. Any failure on our part to continuously advance the encryption technologies of our backup software products could compromise the security of the data backed up in public cloud storage destinations, and may result in data leakage. The standard terms and conditions adopted by us in relation to our backup software products limit our liability to customers and end-users. Should there be any leakage or damage of data stored in public cloud storage destinations due to any action or inaction of any public cloud service provider which is out of our control or as a result of our insufficient security measures, a loss of confidence in our backup software products will likely occur and we may be subject to complaints or claims from our customers, which will likely have an adverse impact on our business and results of operations.

Our performance relies heavily on key executives, our business may be adversely affected if they cease to serve us in the future and we fail to find suitable replacements

We rely on the management skills and technical know-how of our key executives. Mr. Schubert Chong, the chief executive officer of our Company and our executive Director, has over 10 years of experience in the backup software industry and has been responsible for the overall business operations, strategic planning and policies formulation of our Group. Mr. Schubert Chong is also a fellow member of the Association of Chartered Certified Accountants (FCCA) in the United Kingdom and the Hong Kong Institute of Certified Public Accountants (FCPA) as well as a full member of the CPA Australia (FCPA (Aust.)). Mr. Scherring Chong, the vice-chairman of the Board and executive Director, has over 15 years of experience in the backup software industry. He received his degree of Bachelor of Engineering in computer engineering from the University of New South Wales, Australia, graduating with 1st class honours in 1997. He is primarily responsible for the overall management and operation of our Group's software development and technology advancement. Both of Mr. Scherring Chong and Mr. Schubert Chong have contributed to the growth and development of our Group since

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1999 and 2005, respectively. For their biographical information, please see the section headed “Directors, Senior Management and Employees” in this prospectus. If any one of Mr. Schubert Chong and Mr. Scherring Chong ceases to serve us in the future and we fail to find suitable replacements, our business may be materially and adversely affected.

We may be unable to attract and retain skilled staff. Any shortfall in our skilled workforce or increase in staff costs may materially and adversely affect our business operations and financial performance, and we may not be able to execute our business strategies to drive our growth

Our success depends heavily upon our ability to continue to attract, retain and motivate skilled personnel, especially R&D staff. Our staff costs and related expenses accounted for 58.6%, 57.2% and 55.2% of our revenue for the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, respectively. Attracting, developing and retaining talent is an essential component of our business strategy. We may have to offer better salaries, incentive packages and training opportunities to attract and retain sufficient skilled staff to sustain our operations and our growth, which may increase our costs and reduce our profit margins. Experienced personnel in the software and IT industry are in high demand and competition for talent is intense. We cannot assure you that we will continue to be able to attract and retain a sufficient number of skilled staff for our existing and planned business operations. In the event that we cannot attract and retain a sufficient number of skilled staff for our existing and planned business operations, or at all, our business operations and financial performance may be materially and adversely affected, and we may not be able to execute our business strategies to drive our growth.

Our Group’s revenue for the year ended 31 December 2014 decreased slightly as compared to the revenue for the year ended 31 December 2013. Should our Group’s revenue continue to decrease in the future, the liquidity, financial position, business operations and prospects of our Group will be adversely affected and investors will be exposed to high risk of investment in our Company

Our Group’s revenue for the year ended 31 December 2014 decreased slightly as compared to the revenue for the year ended 31 December 2013. Our revenue decreased by approximately 7.0% from approximately HK\$58.1 million for the year ended 31 December 2013 to approximately HK\$54.0 million for the year ended 31 December 2014. The decrease in revenue was mainly attributable to the slowing down of business volume from our customers in the PRC, Ireland, Denmark and the Netherlands. Should our Group’s revenue continue to decrease in the future, the liquidity, financial position, business operations and prospects of our Group will be adversely affected and investors will be exposed to high risk of investment in our Company.

The financial results of our Group will be affected by our listing expenses. We may record lower net profit margins from continuing operation as a result of an increase in staff costs and related expenses and administrative expenses

The financial results of our Group will be affected by certain non-recurring expenses including the expenses in relation to the Placing and the Listing. Based on the Placing Price of HK\$0.20 per Placing Share, our estimated expenses in relation to the Placing and the Listing (mainly comprising the sponsor’s fee, legal and other professional fees, underwriting commission and printing fee) are approximately HK\$22.7 million, of which approximately HK\$7.7 million will be directly attributable to the issue of the Placing Shares and will be accounted for as a deduction from equity. The remaining amount of approximately HK\$15.0 million will be charged to the combined statements of profit or loss and other comprehensive income for the year ending 31 December 2015. The estimated listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

Further, the financial results of our Group may be affected by expenditures in relation to our plan to expand our R&D team, our advertising efforts to promote our backup software products and the

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renting of our office premises. We intend to apply the net proceeds from the Placing for, among other things, expanding our R&D team and advertising our backup software products. For details of our development and promotion of our backup software products, please refer to the section headed “Business Objectives and Future Plans — Implementation Plans” in this prospectus. For details of the renting of our office premises, please refer to the section headed “Connected Transactions — Continuing Connected Transactions — B. Non-exempt Continuing Connected Transaction” in this prospectus. As such, our Directors expect that staff costs and related expenses and administrative expenses may increase significantly after the Track Record Period, which may result our Group to record lower net profit margins from continuing operation for the two years ending 31 December 2015 and 2016 than the historical net profit margins from continuing operations during the Track Record Period.

Accordingly, our Shareholders and prospective investors should be informed that (i) the financial results of our Group for the year ending 31 December 2015 will materially and adversely be affected by the expenses expected to be recognised in our combined statements of profit or loss and other comprehensive income in relation to the Placing and the Listing; and (ii) our Group may record lower net profit margins from continuing operation for the two years ending 31 December 2015 and 2016 as a result of the estimated increase in staff costs and related expenses and administrative expenses.

Our software licence sales and our software upgrades and maintenance services are seasonal

Our software licence sales and our software upgrades and maintenance services are seasonal, with relevant revenue generally being higher in the fourth quarter of the year than in the other quarters. For the year ended 31 December 2013 and the year ended 31 December 2014, our revenue from software licence sales and our software upgrades and maintenance services in the fourth quarter of each year represented over 33.3% of our annual revenue from software licence sales and our software upgrades and maintenance services. To the best of the knowledge of our Directors, our customers are inclined to spend their unused annual budget before the end of the year or make purchases before the end of the year in order to plan ahead for the next year. In addition, we usually organise annual year-end promotion and offer year-end discounts to encourage customers’ consumption. Accordingly, any comparison of our results of operations between our quarterly, interim and annual results in a financial year is not necessarily meaningful.

Any failure to protect our intellectual property rights could reduce the value of our products, services and brands

Our copyrights, trademarks and other intellectual property rights are important assets to us. We use various intellectual property rights, in particular, software copyrights, in our daily business. We rely on a combination of measures such as entering into confidentiality agreements with our employees and restricting unauthorised access to our proprietary rights in products. Any unauthorised use of our trademark, domain name, copyright and other intellectual properties by our competitors in their corporate names or brands could harm our image and erode our competitive advantage. It is difficult to keep track of unauthorised use of our proprietary rights in our developed software.

Further, our intellectual property is exposed to theft and other forms of misappropriation. The validity, enforceability and scope of protection of intellectual property in the software and IT industry are uncertain and evolving.

Preventing unauthorised use of our intellectual property is therefore difficult, time-consuming and expensive, yet yielding limited and uncertain results. Misappropriation of our content, trademarks and other intellectual property could divert significant business to our competitors, damage our brand names and reputation, and may require us to initiate litigation that could be expensive, time consuming and require us to divert management resources from the operation of our business.

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We cannot be certain that our business operations do not or will not infringe any valid copyrights or other intellectual property rights held by third parties

We may in the future be subject to legal proceedings and claims from time to time relating to the intellectual property of others in the ordinary course of our business. If we are found to have violated the intellectual property rights of others, we may be prohibited from using such intellectual property, and we may incur royalty or licensing fees or be forced to develop alternatives. In addition, we may incur substantial expenses in defending against and investigating these third party infringement claims or divert significant management and staff resources, regardless of their merits. Any successful infringement or licensing claims against us may result in substantial monetary liabilities, prevent us from using important technologies, business methods, content or other intellectual property, prevent us from distributing our products through the use of injunctions or other legal means, which may materially disrupt the continuity of our business and the stability of our financial situation.

For details of our intellectual property rights, please refer to the section headed “Statutory and General Information — B. Further Information about the Business of our Group — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

Any failure to recover software development costs could affect our business prospects and profitability

We consider our software development capability as one of the keys to our success. Our R&D team comprises 2 sub-teams, namely software development team and quality assurance team. Our software development team is responsible for the development of new features and component advancements of our backup software products and our quality assurance team is responsible for testing and ensuring functionality of our backup software products. For the years ended 31 December 2013 and 2014, our staff costs and related expenses in relation to our R&D team amounted to approximately HK\$9.1 million and HK\$8.9 million, respectively, representing approximately 15.7% and 16.5% of our total revenue respectively. For the three months ended 31 March 2014 and 31 March 2015, our staff costs and related expenses in relation to our R&D team amounted to approximately HK\$2.3 million and HK\$2.3 million, respectively, representing approximately 17.4% and 16.2% of our total revenue respectively. Our Directors presently intend to apply a portion of the net proceeds from the Placing for increasing the headcount of our R&D team.

By its nature, there is no guarantee that any software development activity would yield meaningful results or breed any revenue-generating products. Technical, operational, distribution or other problems may delay or prevent the introduction of new products or services to the market. Even if new products are developed and launched, there is no guarantee that they will be accepted by the market. The growth of our turnovers and profits in the future will heavily depend on the market performance of such new products. In the event that we fail to develop any new products or our new products do not receive the expected market acceptance, our business prospects and profitability may be adversely affected.

We face intense competition, which could reduce our market share and materially and adversely affect our results of operations and growth prospects

The global backup software market is highly competitive, rapidly evolving and subject to changing technology, shifting user needs and frequent introductions of new products and services. There is a large supply of other software products and services in the market which serve purposes similar to the backup software products and services offered by us. We face intense competition and compete primarily with other backup software developers in the international markets. Our current or potential competitors may have greater operating experience and more financial, marketing and other resources than we do, which may offer them an advantage in developing backup software, conducting marketing and promotional activities and hiring talent, particularly, backup software developers. Intense competition may result in competitive pricing. If we fail to adjust our existing

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products and/or services to the needs of our customers and their respective customers and compete effectively, we may lose customers, our market share may decrease and our business, operating results, financial condition and prospect will be materially and adversely affected.

We are exposed to product liability risk and our insurance coverage may not adequately protect us against product liability

Our backup software products are designed to be used with our customers' and end-users' systems and hardware. Although we have quality and assurance procedures in place to tests our backup software products, there is no assurance that all the bugs, errors or flaws in our backup software products have been detected and corrected. Any bugs, errors or flaws in our backup software products may cause damage to our customers' and/or end-users' system and hardware, and adversely affect our customers' and/or end-users' operations or the performance of such software products. As a result, we may incur additional costs in rectifying the defects or defending any potential claims from our customers. It may also affect our relationship with such customers and our reputation. At present, we do not maintain any product liability insurance. Although no legal claims or pending litigation proceedings against us in connection with our backup software products were brought to our attention during the Track Record Period and up to the Latest Practicable Date, there can be no assurance that there will not be such product liability claim in the future. A significant product liability claim may result in our incurring substantial costs and the diversion of resources. This could have an adverse effect on our results of operations and financial condition.

We may be liable to third parties for information improperly displayed, delivered or shared through our products

We offer high flexibility to our customers to rebrand and/or customise our Ahsay™ Backup Software. We have no control over our customers on certain customisation implemented or to be implemented on our Ahsay™ Backup Software, such as the contents of advertisements displayed or to be displayed in end-user interface. We may face liability for defamation, negligence, copyright and trademark infringement and other claims based on the nature and content of the materials that are displayed, delivered or shared through our products. We may incur significant costs in investigating and defending ourselves against any claims in respect of such information, even if they do not result in liability. These claims could have severely damage our reputation and could have an adverse effect on our business.

Quality of the translation services provided by third parties engaged by us or our customers is not under our control. If the translation services provided by such third parties engaged by us or our customers are erroneous, defective or fail to meet the required standards, our business and reputation may be adversely affected

Our Ahsay™ Backup Software is available in over 30 languages and dialects, including Traditional Chinese, Simplified Chinese, English, Dutch, French, Spanish, Portuguese, Japanese and Korean. Our CloudBacko Backup Software is available in Traditional Chinese, Simplified Chinese and English. We engage translation service providers or grant the rights to translate our backup software products to some of our customers to translate our backup software products into languages and dialects other than English, Traditional Chinese and Simplified Chinese as and when necessary. However, we are not able to control the quality of the translation services provided by such third parties engaged by us or our customers. If the translation services provided are erroneous, defective or failed to meet the required standards, our business and reputation may be adversely affected. We may also be subject to legal proceedings initiated by the aggrieved customers in respect of the product defects. In such event, we may need to incur additional costs to settle or defend these claims or legal actions which could have material adverse effects on our reputation and financial conditions.

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We could be adversely affected as a result of our operations and sales to customers in certain countries that are subject to evolving economic sanctions administered by the US, the EU, the United Nations and Australia and other relevant sanctions authorities

Certain countries or organisations, including the US, the EU, Australia and the United Nations, have comprehensive or other broad economic sanctions targeting the Sanctioned Countries. During the Track Record Period, we had sales to customers in Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela. The total revenue generated from our sales to customers in Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela for the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015 accounted for approximately 0.16%, 0.18% and 0.17% of our total revenue for the same periods, respectively. For details of our business operations in Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela, see the section headed “Business — Sales in Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela” in this prospectus.

We undertake to the Stock Exchange that we will not use the proceeds from the Placing, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries or any other government, individual or entity sanctioned by the US, the EU, Australia or the United Nations, including, without limitation, any government, individual or entity that is the subject of any OFAC sanctions. We also undertake to the Stock Exchange that we will not enter into sanctionable transactions that would expose us, the Stock Exchange, HKSCC, HKSCC Nominees, or our Shareholders or investors to risks of being sanctioned. If we breach any of these undertakings to the Stock Exchange after the Listing, it is possible that the Stock Exchange may delist our Shares. In order to ensure our compliance with these undertakings to the Stock Exchange, we will continuously monitor and evaluate our business and take measures to protect the interests of our Group and our Shareholders. For details of our internal control procedures, see the section headed “Business — Sales in Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela — Our undertakings and internal control procedures” in this prospectus.

We cannot predict the interpretation or implementation of government policy at the US federal, state or local levels or any policy by the EU, the United Nations, Australia and other applicable jurisdictions with respect to any current or future activities by us or our affiliates in the Sanctioned Countries and with Sanctioned Persons. We have no present intention to undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees, or our Shareholders or investors to violate or become a target of sanctions laws of the US, the EU, the United Nations or Australia. However, we can provide no assurances that our future business will be free of risk under sanctions implemented in these jurisdictions or that we will conform our business to the expectations and requirements of the US authorities or the authorities of any other government that may not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis. Our business and reputation could be adversely affected if the government of the US, the EU, the United Nations or Australia or any other governmental entity were to determine that any of our activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Company. In addition, because many sanctions programmes are evolving, new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctionable.

In addition, certain US state and local governments and universities have restrictions on the investment of public funds or endowment funds, respectively, in companies that are members of corporate groups with activities in certain Sanctioned Countries and with Sanctioned Persons. As a result, concern about potential legal or reputational risk associated with our historical and on-going operations in the Sanctioned Countries and with Sanctioned Persons could also reduce the marketability of the Placing Shares to particular investors, which could affect the price of our Placing Shares and Shareholders’ interests in us, despite our commitment not to direct the proceeds from the Placing to dealings with sanctioned parties. Before investing in our Shares, you should consider if

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such investment would expose you to any of the US, the EU or other sanctions law risk arising from your nationality or residency. Any of these events could have an adverse effect on the value of your investment in us.

We are exposed to interruption to our sales websites, which may interrupt our operations, damage our reputation and harm our results of operations

During the Track Record Period, substantially all of our sales were generated from our sales websites. We have internal control measures in place to prevent our sales websites from interruption. Any failure to prevent our sales websites from being hacked and altered by any third party may result in interruptions in our operations, which may harm our business and damage our reputation. Any prolonged interruptions may result in the loss of customers, negative publicity and increased operating costs, any of which may significantly harm our business, financial condition and results of operations.

Leakage or misappropriation of confidential information handled by us could have an adverse effect on our reputation and business operations

During the course of providing our products and/or services, we may have access to and be entrusted with information that is confidential in nature, such as information that relates to customers' systems, operations, raw data or affairs. We have adopted measures to protect the confidentiality of our customers' information. However, there is no assurance that the steps taken by us will successfully prevent any leakage or misappropriation of confidential information of our customers. Any leakage or misappropriation of confidential information of our customers could expose us to the complaints or claims from our customers, which may have a material and adverse effect on our reputation and business operations.

We are subject to risks relating to our third-party online payment vendors. If any of these third-party online payment vendors fails to process, or ensure the security of, customer's payments for any reasons, our reputation will be damaged and we may lose our business, financial condition and prospects

We utilise third party payment vendors to facilitate our customers' payments through our sales websites. Over 80% of our revenue in the years ended 31 December 2013 and 2014 and over 70% of our revenue for the three months ended 31 March 2015 was derived from customers' payment through third-party payment vendors. Any scheduled or unscheduled interruption in the ability of our customers to use these and other third parties' payment system could adversely affect our payment collection, and in turn, our revenue. In all the online payment transactions through these vendors, secured transmission of confidential information, including credit card numbers and critical personal information of the customers over public networks, is essential to maintain their confidence in us and our products. We also rely on the stability of such payment transmission to ensure the continued payment services provided to our customers. We do not have control over the security measures of our third-party online payment vendors. If any of these third-party online payment vendors fails to process, or ensure the security of, customer's payments for any reasons, our reputation will be damaged and we may lose our business, financial condition and prospects.

Our continued success depends on our ability to maintain and enhance our brand, any failure of which may materially and adversely affect our business, operating results and our financial conditions

We believe that the brand awareness and trust we have established between our customers have significantly contributed to our success. Maintaining and enhancing the Ahsay brand will be critical to expanding our customer base and attracting talents. The strength of our brands will also affect the market acceptance of our future products and services. Adverse publicity (whether or not justified) relating to our products, services or us may tarnish our reputation and diminish the value of our

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brand. Our brand will depend largely on our ability to provide high quality products and services. To maintain and enhance our brands, we may be required to make substantial investments in software development and marketing programmes that may later prove to be unsuccessful. If we fail to maintain and enhance our brand, future demand for our products and services may be reduced, and our business, operating results and financial condition may be materially and adversely affected.

Our CloudBacko Backup Software targeting at end-users may not achieve the expected market acceptance. Our profitability may be adversely affected if we are unable to recover the investment costs

In 2014, we introduced CloudBacko Backup Software, which is targeted at end-users. Our revenue generated during the Track Record Period was mainly derived from our customers which mainly include IT consultants, web hosting companies, telecommunications companies and MSPs, which provide IT and/or backup-related services to their respective customers by utilising our Ahsay™ Backup Software, and we are relatively inexperienced in serving end-users. Our business targeting at end-users is still at an initial stage. We cannot guarantee you that our CloudBacko Backup Software may reach our expected level of acceptance by end-users. In the event that the launching of our CloudBacko Backup Software is not successful, we may not be able to recover the investment costs of the development and marketing of the software, and as a result our profitability may be adversely affected.

We are exposed to programme source code storage risk

Currently our source code and master copies of software are stored at our premises. We backup the sources codes of our current software products and software products under development daily, and we have implemented restrictive access policy to such source code and master copies of software. Nonetheless, there is no assurance that such measures are adequate for the protection of our source code and master copies of software. They are still vulnerable to damage due to act of nature and other unexpected events. There can be no assurance that we can respond to such contingencies in a timely manner. Any damage to such source code and master copies of software could delay our time for launching new software.

Our technology infrastructure may experience unexpected system failure or interruption

Our technology infrastructure may encounter disruptions or other outage caused by problems or defects in our own technologies and systems, such as malfunctions in software or network overload. Our growing operations will place increasing pressure on our servers and network capacities as we launch more software and further expand our customer base. We may encounter problems when upgrading our systems and undetected programming errors, which could adversely affect the access to our sales websites and the support we offer to our customers. In addition, we rely on third-party service providers for certain key aspects of our network infrastructure and technology systems, including storage and maintenance of servers in Hong Kong, the United States, the United Kingdom and the PRC. Any disruptions or other problems with these services are out of our control and may be difficult for us to remedy. If our arrangements with any of these third parties are terminated, invalidated, or modified against our interest, we may not be able to find alternative services or solutions on a timely basis or on terms favourable to us, or at all. Furthermore, our infrastructure is also vulnerable to damages from fires, floods, earthquakes, power loss and telecommunication failures.

We may not be able to successfully implement our strategies, or achieve our business objectives

Our business objectives as set out in this prospectus are based on our existing plans and intentions. However, the objectives are based on prevailing circumstances and the development trend of the backup software industry currently known to our Directors. We intend to expand our existing

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business in accordance with the objectives. We have to recruit additional employees with the necessary skills and knowledge to achieve our planned expansion. Our Directors believe that competition for skilled IT professionals is intense in Hong Kong. As a result, we may encounter shortages of skilled and competent personnel, which may hamper our ability to implement our strategies in the future. In addition, the planned expansion may result in significant expenditures incurred by us, which may or may not be recoverable, and may divert management's attention from other business concerns. There is no assurance that we will successfully implement our strategies or that our strategies, even if implemented, will result in us achieving our objectives. Our business, operating results and financial position may be materially and adversely affected if our business objectives are not achieved.

New business strategies formulated in the future could disrupt our Company's ongoing business and present risks not originally contemplated

We may in the future formulate new business strategies. Such endeavours may involve mergers and acquisitions which involve significant risks and uncertainties, including distraction of management from current operations, insufficient revenue to offset the liabilities assumed and expenses associated with the strategies, inadequate return of capital and unidentified issues not discovered in our due diligence. There is no assurance that such strategies and initiatives will be implemented successfully and will not materially adversely affect our financial conditions and operating results.

Our backup software products and activities are and may become subject to laws and regulations of various jurisdictions, including Hong Kong and overseas markets. We cannot guarantee you that such laws and regulations would not apply to us or be interpreted in ways that could affect our business

We may face risks and uncertainties posed by local political, regulatory environments and failure to comply with country-specific regulatory restrictions may expose us to fines, penalties and liabilities. As at the Latest Practicable Date, none of our backup software products had been challenged and subject to any regulatory actions by any governmental authorities in any of our target markets. However, there is no assurance that our backup software products will not be deemed as illegal or inappropriate in any of our target markets. Similarly, there is no assurance that our business will not be challenged or subject to any regulatory actions in any of our existing or future markets. If we are unable to offer any of our existing or new software in any of our target markets due to regulatory restrictions, our business, international expansion and growth prospects may be significantly harmed.

RISKS RELATING TO OUR INDUSTRY

We may not be able to keep up with rapid technological changes and may be driven out of competition

The backup software industry is featured by rapid technological changes, evolving industry standards, frequent introductions and enhancement of new products and services and changing customer demands. More advanced backup software products are introduced continuously. The introduction of new technology and the emergence of new industry standards may render our products to be obsolete and uncompetitive. Accordingly, our future success will depend on our ability to adapt to rapidly changing technologies and the evolving industry standards, to offer products to meet the changing demands of our customers and end-users and to continue improving the know-how of our staff in response to evolving demands of the market place. Failing to adapt to such changes would have a material adverse effect on our business.

The global macro economy may affect our industry, business and results of operations

The revenue and profits of our customers have a significant impact on their investment in our products. The demands for backup software products and services may rise or fall along with the

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overall global economic and business environment. If the external economic environment is in downturn, end-users may not be able to continue investing in IT infrastructure in relation to data backup and/or replication. As a result, our customers may adjust and control their budget and expenditure in accordance with the demand of end-users and the overall global economic development, thus affecting our industry, business and results of operations of the market players in the industry.

RISKS RELATING TO THE PLACING AND THE PERFORMANCE OF OUR SHARES

There may be limited liquidity in our Shares and volatility in the price of our Shares on GEM and could result in substantial loss for investors purchasing our Shares in the Placing

Our Shares have not been traded in an open market before completion of the Placing. The Placing Price may not serve as an indicator of the price of our Shares traded on GEM in the future. The Placing Price is the result of negotiations between us and the Joint Lead Managers (for themselves and on behalf of the Underwriters), and may be different from the market prices for our Shares after the Listing. There is no assurance that an active and liquid public trading market of our Shares will develop upon the Listing or if it does develop, that it may be sustained for any period of time after the Listing. The market price and trading volume of our Shares may fluctuate significantly and rapidly as a result of the following factors, among other things, some of which are beyond our control:

- variation in our results of operation;
- technology advancements;
- changes in securities analysts' analysis of our financial performance;
- our announcement of significant acquisitions, dispositions, strategic alliances or joint ventures;
- addition or departure of our key personnel;
- fluctuations in market prices and trading volume of our Shares;
- our involvement in litigation;
- development of GEM; and
- general economic and stock market conditions in Hong Kong.

All such factors may result in significant fluctuations in the market price and/or transaction volume of our Shares. There is no assurance that such changes will not occur.

Issue of new Shares under the Share Option Scheme or any future equity fund raising exercise will have a dilution effect and may affect our profitability

We have conditionally adopted the Share Option Scheme but no option has been or will be granted thereunder prior to the Listing Date. Any exercise of the options to be granted under the Share Option Scheme in the future will result in a dilution in the shareholding of our Shareholders in our Company and may result in a dilution in the earnings per Share and net asset value per Share. The fair value of the share options at the date on which they are granted with reference to the valuer's valuation will be charged as share-based expense, which may adversely affect our Group's results of operations.

We may require additional funding for future growth

We may be presented with opportunities to expand our business through acquisitions in the future. Under such circumstances, secondary issue(s) of securities after the Listing may be necessary

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to raise the required capital to capture these growth opportunities. If additional funds are raised by means of issuing new equity securities in the future to new and/or existing Shareholders after the Listing, such new Shares may be priced at a discount to the then prevailing market price. Inevitably, existing Shareholders if not being offered with an opportunity to participate, their shareholding interest in our Company will be diluted. Also, if we fail to utilise the additional funds to generate the expected earnings, this could adversely affect our financial results and in turn exerts pressure to the market price of the Shares. Even if additional funds are raised by means of debt financing, any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all. We may not be able to pay any dividends on our Shares

For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our Group declared dividends of approximately HK\$2.0 million, HK\$21.6 million and HK\$46.0 million, respectively. However, our Group's historical dividend distribution should not be used as a reference or basis to determine the level of dividends that may be declared and paid by our Group in the future.

A decision to declare and pay any dividends would require the recommendations of our Board and approval of our Shareholders. Subject to the Companies Law and the Articles, our Company may declare dividends in any currency, but no dividend shall be declared in excess of the amount recommended by our Board. The Articles provide that dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. Our Company can also pay dividends out of the share premium with the approval of our Shareholders and subject to a statutory solvency test. The decision to pay dividends will be reviewed in light of the factors such as the results of operations, financial conditions and positions, and other factors deemed relevant. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend or at all in the future. The dividend policy is subject to review by our Directors at any time and our Company may determine not to pay any dividends as a result of such review. Our future declarations of dividends will be at the absolute discretion of our Board.

Future sale of the Shares or major divestment of our Shares by the Controlling Shareholders or substantial shareholders of our Company could adversely affect the Share price

The sale of a significant number of Shares in the public market after the Listing, or the perception that such sale may occur, could adversely affect the market price of the Shares. Except as otherwise described in the section headed "Underwriting" in this prospectus and the restrictions set out by the GEM Listing Rules, there are no restrictions imposed on our Controlling Shareholders or substantial shareholders of our Company to dispose of their shareholdings. Any major disposal of Shares by any of our Controlling Shareholders or substantial shareholders of our Company may cause the market price of the Shares to fall. In addition, these disposals may make it more difficult for our Group to issue new Shares in the future at a time and price our Directors deem appropriate, thereby limiting our Group's ability to raise capital.

Information contained in press articles or other media

We wish to emphasise to prospective investors that we do not accept any responsibility for the accuracy or completeness of the information contained in any press articles or other media coverage, and such information was not sourced from or authorised by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information contained in any press

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articles or other media. Accordingly, in all cases, prospective investors should give consideration as to how much weight or importance they should attach to, or place on, such press articles or other media coverage.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “expect”, “estimate”, “intend”, “may”, “plan”, “seek”, “should”, “will”, “would” or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of our Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although we believe the assumptions on which the forward-looking statements based on are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed “Forward-looking Statements” in this prospectus for further details.